

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division  
Public Program Branch\***

**RESOLUTION T-16896  
Date: September 22, 2005**

**R E S O L U T I O N**

**Resolution No. T-16896. To Establish the Deaf and Disabled  
Telecommunications Equipment and Service Program (Public  
Utilities Code Section 2881, Et Seq.) 2006-2007 Fiscal Year Budget  
Pursuant to Decision No. 89-05-060.**

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**Summary**

This resolution recommends an annual budget of \$69,030,000 for the Deaf and Disabled Telecommunications Equipment and Service Program (DDTP), pursuant to Public Utilities (PU) Code Section 2881, et seq. for Fiscal Year (FY) 2006-2007.<sup>1</sup>

While FY 2006-2007 may be a period of significant structural and program change for the DDTP, the FY 2006-2007 budget assumes that the appropriation level will remain unchanged from that for FY 2005-2006 and that projected DDTP expenses will be about the same, with slight increase, over those adopted for FY 2005-2006. Actual expenses for FY 2004-2005 were not available at the time of this budget's development. This budget was developed using known and anticipated changes in program expenses.

This budget will maintain current program offerings and program expansions as identified herein. Revenues for the services are generated by an all end-user surcharge. The current surcharge for the DDTP is .3%. Based on cash accruals of the current surcharge, staff will propose a reduction in surcharge in October.

Because DDTP operations are still transitioning into the form anticipated by SB 669 (1999) and AB 1734 (2002), the budget figures contained in Appendix A of this document are formatted differently from past years. The expenses are aggregated into broader categories, but all program operations are represented within those categories. (See Appendix A for comparative budget data for FY 04-05 and FY 05-06.)

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<sup>1</sup> Surcharges will be set forth in a subsequent resolution by the CPUC.

## **Background**

The Commission established the DDTP and has expanded it by Commission order and implementation of three legislative mandates. The three legislative mandates are: PU Code Section 2881(a) which authorizes the provision of TTYs to deaf or hard of hearing individuals; PU Code Section 2881(c) which authorizes the provision of other specialized telecommunications equipment to consumers with hearing, vision, mobility, speech, and cognitive disabilities; and PU Code Section 2881(b) which uses third-party intervention, also known as the California Relay Service, (CRS) to connect consumers who are deaf or hearing impaired with hearing parties. The DDTP was previously managed by an external staff acting as agents of the Commission. The DDTP Administrative Committee (AC) administered the DDTP and oversaw its finances. Two advisory committees, the Equipment Program Advisory Committee (EPAC) and the CRS Advisory Committee (CRSAC), advised the DDTPAC on the equipment and relay service programs.

SB 669 (1999) changed the operations of the Commission's public programs in two ways: 1) it transferred the funds for the programs from a bank trust fund to the State Treasury and, 2) it changed the duties of the administrative committees to those of advisory boards. The Commission successfully implemented the requirements of SB 669 by October 1, 2001 for the California High Cost Fund-A, California High Cost Fund-B, California Teleconnect Fund, and Universal Lifeline Telephone Services programs.

Because of the size of the DDTP and the complexities involved, the Commission sought an extension of the original deadline for the transfer of the DDTP funds. AB 1734, signed into law in June 2002, provided for an extension of the deadline for the transfer of DDTP funds from July 1, 2002 to July 1, 2003.

On December 17, 2002, the Commission adopted Resolution T-16703 approving a transition plan that included the release of an Invitation For Bid (IFB) to operate and manage the programs and services of the DDTP. On May 22, 2003, the Commission approved Resolution T-16740 awarding a two-year contract to operate and manage the DDTP to the California Communications Access Foundation (CCAF) and received subsequent approval from DGS. The current CCAF contract has been extended and will expire on June 30, 2006.

## **Discussion**

### **2006-2007 DDTP Budget Changes**

TD anticipates a number of program elements potentially affecting the FY 2006-2007 budget cycle. They are: 1) continued expansion of the current captioned telephone trial (CapTel Expanded Field Trial) ; 2) the second full year under the new California Relay Service contracts (CRS II); and 3/ the CPUC rebid, as required by the Department of General Services (DGS), of many DDTP contracts which end June 30, 2006. Contracts to be rebid include those for the DDTP Primary Program or Contract Administrator; distribution services; and marketing. Lastly, there are various technological changes, potential changes in equipment program or service offerings, and/or potential shift of costs to the state which may significantly impact the program. The Commission stated in the FY 2005-2006 Budget Resolution that it anticipated initiating a rulemaking to examine some of these issues. Potential shift of Video Relay Service (VRS) costs to the state as well as increased captioned telephone service costs could cause DDTP program expenses to exceed those in the FY 2006-2007 budget and accelerate the need for such a rulemaking.

### **Telecom Expenses**

#### **Equipment Purchases**

The recommended equipment purchases expense for fiscal year 2006-2007 is \$12.3 million. In this budget this expense is increased from the 2003-2004 actual expenses to account for an anticipated increase in equipment placements due, among other things, to continued outreach and marketing events anticipated in the FY 2006-2007 budget period. In addition to the list of Commission approved equipment, the budget includes equipment costs for the captioned telephone expanded field trial (CapTel EFT). Captioned telephone service is a telecommunications service using specialized equipment that allows a user to hear the called party's response and read the text of the response simultaneously. The text of the response is provided through the use of communications assistants and voice recognition software. In the initial CapTel trial, DDTP tested special captioned telephone equipment at no charge for the equipment. The Commission has decided to expand the trial and to continue to offer this service, which required purchase of the equipment. DGS approval for purchase of this equipment extends until June 9, 2008. TD recommends that the Commission continue to grant authority to the Commission's Executive Director to enter into any amendments or changes to Cap Tel EFT contracts or agreements as required to extend and expand provision of the captioned telephone service on an expanded trial basis through FY 2006-2007. TD has included estimated costs associated with the captioned telephone equipment in the FY 2006-2007 equipment program budget.<sup>2</sup>

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<sup>2</sup> Non-equipment costs associated with the billed minutes of captioned telephone use are reflected in the CRS section of the budget.

Lastly, Telecommunications Division staff in developing the FY 2006-2007 budget recognizes that the Commission may need to consider such topics as distribution of services and equipment and program structure. Emerging technologies, such as video relay service and the previously discussed captioned telephone service, are costly and the demand for such technologies is likely to be very high. The combination of high cost and high demand for such services will have a substantial long-term impact on the DDTP budget if they become permanent elements of the program. The Commission may want to explore more efficient ways of providing program services to clients. In Commission Budget Resolution for FY 2005-2006 (T-16895), the Commission supported the need for a formal proceeding to examine these issues.

#### The California Relay Service

As discussed previously, the CRS was still undergoing a structural transition during the FY 2004-2005 budget cycle with part of the year's budget based on the old structure and part based on the new structure. The FY 2006-2007 budget is the second to be estimated entirely under the new CRS II contracts.

In addition to the implementation of the new CRS structure, the incorporation of captioned telephone service (as discussed above) will also have an impact on this portion of the budget. The billed minutes attributable to the captioned telephone service are included in the total CRS budget figure, but it is a service distinct from relay service and billed at a different rate than relay service. TD staff has estimated the captioned telephone monthly-billed minutes based on relay service usage and calculated the costs based on the estimated number of captioned telephone units in use per month.

Actual billed CRS minutes for fiscal years 2003-2005 have remained constant or declined slightly. It is anticipated that the expansion of the captioned telephone trial may cause some migration of customers from the relay service to the captioned telephone service, reducing the number of relay service billed minutes. However, TD staff decided to maintain relay service expenses at the current level and wait until the effects of the expanded captioned telephone trial are known before instituting further budget changes to CRS.

TD recommends a total amount of \$33.8 million for the CRS program including expanded captioned telephone service in the FY 2006-2007 budget.

#### **Administrative Expenses**

##### All Contracts and Consultants

TD recommends total expenses of \$19.98 million for contractors and consultants in the FY 2006-2007 DDTP budget. This figure includes the DDTP administrative contract and

contracts for field operations, the equipment distribution program, non-service aspects of the CRS program, customer contact, outreach operations, and outreach media and materials.

#### Committee Expenses

Several additional committee expenses incorporated into the FY 2004-2005 budget were reflected in the FY 2005-2006 budget and continue to be reflected in the FY 2006-2007 budget. To represent populations of the deaf, hearing impaired, and disabled communities that are not represented in the existing committee membership, two members satisfying these criteria could be added to each committee, as outlined by Commission decision language and Charters. Consistent with the FY 2005-2006 Budget Resolution, each committee member will be entitled to attend one convention/conference per year not to exceed \$2,000 per convention/conference. Finally, each committee will resume hosting at least one annual offsite committee meeting at a qualified learning facility for the deaf, hearing impaired and/or disabled or a public convention catering to the deaf, hearing impaired and/or disabled. The total costs of these additional committee expenses have been taken into consideration. TD recommends \$420,000 for committee expenses in the FY 2006-2007 budget.

#### CPUC Staff Expenses

The FY 2006-2007 budget includes estimated CPUC staff costs associated with the administration of the DDTP program. Several divisions within the CPUC are responsible for different aspects of the program. In addition to the Telecommunications Division, the Legal Division, Information and Management Services Division and the Administrative Law Judges Division all contribute staff resources to the program. TD recommends \$1.05 million for the FY 2006-2007 budget.

#### Administrative Expenses

TD recommends \$1.3 million in administrative costs for the DDTP FY 2006-2007 budget. The activities covered by these expenses include various audits of the program, inter-agency fees associated with staff resources from other state agencies, banking fees and data processing automation.

#### Total DDTP FY 2006-07 Budget

TD proposed FY 2006-07 expense budget of \$69,030,000 is reasonable and should be adopted.

#### **Comments**

In compliance with PU Code § 311 (g), copies of the notice letter were e-mailed on August 23, 2005 to all telecommunications carriers, the parties of record to Investigation

(I.) 87-11-031, Rulemaking (R.) 00-05-001, R.03-03-014, for whom email was available, The Telecommunications Access for the Deaf and Disabled Administrative Committee (TADDAC) members, California Relay Service Advisory Committee (CRSAC) members and the Equipment Program Advisory Committee (EPAC) members informing these parties that this draft resolution is available at the Commission's website: [www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm](http://www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm), and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

Comments were provided on September 6, 2005 by Phil Kaplan, Chair of the TADDAC, on behalf of the TADDAC, in coordination with the CRSAC and EPAC. Overall, these comments support this proposed budget and urge its adoption. These comments also noted several areas that may require additional funding in the future, including:

1. The budget amount for equipment purchases may need to be increased due to marketing and outreach programs, as well as emerging technologies and the potential shift of cost of the Video Relay Service onto the states from the FCC.
2. California Relay Service usage may increase in FY 2006-07 due to aging of the population and continued program outreach and marketing efforts.
3. Committee expenses, as well as other line items, may be affected by recent increases in energy costs, particularly impacting travel expenses.

These comments also support the Commission opening an investigation to consider topics such as "equipment and service distribution, program structure, the impact of emerging technologies (including the Internet, broadband, and wireless services), and more efficient ways to provide program services to a growing number of clients/users."

## **FINDINGS**

1. In October 1999, Public Utilities 270-281 were codified as a result of the enactment of the Senate Bill 669.
2. Assembly Bill 1734, signed into law in June 2002, extended the timeframe for the transfer of the Deaf and Disabled Telecommunications Program (DDTP) fund into the State Treasury to July 1, 2003 from July 1, 2002.
3. The Telecommunications Division (TD) estimate of \$69.03 million for the Fiscal Year (FY) 2006-2007 budget, as set forth in Column D of Appendix A, is reasonable for the DDTP and should be adopted.

4. TD recommends that the Commission continue to grant authority to the Executive Director of the Commission to enter into contracts or agreements expanding and extending the captioned telephone service as required.
5. The Commission should open a formal proceeding to consider such topics as equipment and service distribution, program structure, the impacts of emerging technologies and more efficient ways to provide program services to clients.
6. Copies of the notice letter were e-mailed on August 23, 2005 to all telecommunications carriers, the parties of record to Investigation (I.) 87-11-031, Rulemaking (R.) 00-05-001, R.03-03-014, The Telecommunications Access for the Deaf and Disabled Administrative Committee (TADDAC) members, California Relay Service Advisory Committee (CRSAC) members and the Equipment Program Advisory Committee (EPAC) members

**THEREFORE, IT IS ORDERED that:**

1. The fiscal year 2006-2007 budget for the Deaf and Disabled Telecommunications Program of \$69.03 million, as set forth in Column D of Appendix A of this resolution is adopted.
2. The Executive Director of the Commission is granted authority to enter into contracts or agreements to expand and extend the DDTP's captioned telephone service on behalf of the Commission.
3. The Commission will open an investigation to consider such topics as equipment and service distribution, program structure, the impact of emerging technologies and more efficient ways to provide program services to clients.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 22, 2005. The following Commissioners adopted it:

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STEVE LARSON  
Executive Director



APPENDIX A

Budget for Services provided to the  
Deaf and Disabled Telecommunications Program  
Fiscal Year 2006-2007

	<b>A</b> <b>Actual</b> <b>2003-2004</b> <b>Expenses</b>	<b>B</b> <b>Adopted</b> <b>2004-2005</b> <b>Budget</b>	<b>C</b> <b>Adopted</b> <b>2005-2006</b> <b>Budget (in</b> <b>millions)</b>	<b>D</b> <b>Recommended</b> <b>2006-2007</b> <b>Budget (in</b> <b>millions)</b>
<b>CPUC Staff Costs</b>	\$297,851	\$323,000	\$1.07	\$1.05
<b>DDTP Contractors and Consultants</b>	25,946,619	23,755,346	19.30	19.98
<b>DDTP Administration Expenses</b>	28	720,000	1.30	1.30
<b>California Relay Service</b>	20,765,770	27,855,335	32.70	33.84
<b>Equipment Purchases</b>	9,740,983	13,429,176	11.90	12.32
<b>TPIC</b>		360,374	0.12	0.12
<b>TADDAC</b>	33,320	231,689	0.17	0.17
<b>CRSAC</b>	15,308	206,002	0.14	0.14
<b>EPAC</b>	33,519	175,297	0.11	0.11
 <b>TOTAL PROGRAM EXPENSES</b>	 <b>\$56,833,398</b>	 <b>\$67,056,219</b>	 <b>\$66.80</b>	 <b>\$69.03</b>